

OFFICE OF AUDITS & ADVISORY SERVICES



DEPARTMENT OF ENVIRONMENTAL HEALTH OFFICERS' TRANSITION AUDIT

FINAL AUDIT REPORT

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November 10, 2010

TO: John L. Miller, Director
Department of Environmental Health

FROM: James L. Pelletier
Chief of Audits

FINAL REPORT: DEPARTMENT OF ENVIRONMENTAL HEALTH OFFICERS' TRANSITION AUDIT

Enclosed is our report on the Department of Environmental Health Officers' Transition Audit. We have reviewed your responses to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. The Office of Audits & Advisory Services will contact you or your designee near the end of each quarter to request your response.

Also attached is an example of the quarterly report that is required until all actions have been implemented. To obtain an electronic copy of this template, please contact Joseph Kelly at (858) 495-5655.

If you have any questions, please contact me at (858) 495-5661.

JAMES L. PELLETIER
Chief of Audits

AUD:JK:aps

Enclosure

- c: Sarah E. Aghassi, Deputy Chief Administrative Officer, Land Use and Environment Group
Donald F. Steuer, Chief Financial Officer
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller
Kathleen A. Flannery, Group Finance Director, Land Use and Environment Group

INTRODUCTION

| | |
|--------------------------------------|---|
| Audit Objective | The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Department of Environmental Health (DEH). The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Gary Erbeck, and the incoming officer, John Miller, took appropriate actions and filed complete and accurate reports as of January 9, 2010 in compliance with California Codes, County regulatory requirements, and County policies and procedures. These requirements were explained in the instruction letter provided to each officer. |
| Background | The County Charter requires that the OAAS conduct such an audit when County officers leave or assume office to determine if certain affidavits, authorizations, disclosures, and reports are properly completed and processed. These actions provide for an orderly transition of officers, establish proper accountability for public assets and promote the County's General Management System, including its key disciplines of accountability/transparency, fiscal stability, and continuous improvement. |
| Audit Scope & Limitations | <p>The reports are the responsibility of the officer who signs them. The OAAS' responsibility is to provide an opinion on the reports based upon the audit.</p> <p>This audit was conducted in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236.</p> |
| Methodology | OAAS reviewed all the reports filed by the outgoing and incoming officers and obtained supporting documentation to test completeness and accuracy of the reports. |

AUDIT RESULTS

| | |
|-------------------|--|
| Summary | In our opinion, there is reasonable assurance that the outgoing and incoming officers filed complete and accurate reports in compliance with California Codes, County regulatory requirements, and County policies and procedures in connection with an officer's transition, except for the following items. |
| Finding I: | <p>Inventory Certificate Lacks Required Detailed Listing</p> <p>OAAS is unable to form an opinion on the minor equipment and books certificate because the detailed listing is not included.</p> <p>Per the DEH staff, the amount reported in the certificate (\$2,023,440) is based on the FY 2006-07 physical inventory plus subsequent additions. However, the FY 2008-09 additions are excluded, as well as deletions occurring in FY 2007-08 forward. Also, per the DEH staff, details of the minor equipment acquisitions (and dispositions) are not recorded in the DEH inventory details spreadsheet.</p> |

According to the County Administrative Manual Policy 0050-02-1, the department is required to take a physical inventory if there is a change in the responsible County officer. Additionally, department heads are required to maintain listings of minor equipment items for which they are responsible, adding new items as they are received and deleting items that are disposed of or no longer in use. Listings should identify the quantity and nature of the minor equipment items, their location, and assigned value.

Recommendation: To improve the transparency and promote accountability in minor equipment reporting, DEH should:

1. Implement procedures for maintaining a listing of all minor equipment and books charged to the DEH, in accordance with the County Administrative Manual Policy 0050-02-1; and
2. Include detail listings with subsequent transition certificates for minor equipment and books, or material and supplies, as required.

Finding II:

Inaccurate Fixed Assets Reports

The DEH appears to lack adequate procedures for accurately determining and reporting the current status of its fixed assets. OAAS noted the following exceptions:

- **Asset Status Inaccuracies.** DEH's supporting documentation indicates that a total of 14 items included on the Capitalized Property Certificate and Oracle Fixed Asset Module (OFAM) reports were either transferred to other departments, salvaged, or returned to the vendor, but not timely processed for accurate reporting. Consequently:
 - Ten items on the Capitalized Property Inventory Certificate (AUD Form 504) with a total cost of \$94,306 should have been reported as Property on Loan to Other Departments rather than Unsighted Assets. Additionally, the DEH staff appears to have not timely prepared the required form(s) to discharge the executive officer's accountability for the items, which they notated in their supporting documentation as transferred or salvaged. This "unsighted" status for at least one item goes as far back as ten years;
 - Three additional items totaling \$72,232 included on the certificate should have been listed as Property on Loan to Other Departments rather than as Charged Items Sighted; and
 - One item (a copier) DEH notated as returned to the vendor appears to have enough information to correctly record its status in the OFAM.
- **Asset Location Inaccuracies.** Rather than the actual current location, "Default" is listed as the location for 15 capital assets on the OFAM Fixed Assets Register Report (FARR). One item was placed

in service as recently as December 2009. Per the DEH Administrative Analyst, the remaining 14 items were prior reorganization transfers. Some of the default items were transferred from the DEH to other departments, and the others were transferred into the DEH. No Form 253 has been filed with the Auditor and Controller (A&C), Projects, Revenue and Grants Accounting Division (PRGA).

The County of San Diego Fiscal Year-End Closing Manual requires the department to correct or enter any missing location code numbers to correspond with the physical location of the property using the code numbers established in the location code index.

- **Other Reporting Discrepancies.** The following additional discrepancies affect total reported assets:
 - A \$5,579 Proxima desktop projector listed in the FARR was unsighted, while another projector (non-operational) was sighted, but not listed in the report. According to the DEH staff, they erroneously sent the unsighted (operational) projector to Purchasing and Contracting along with a completed Form 253 that removed the sighted projector from the report;
 - A conference table with a purchase price of \$8,881 was sighted but not listed in the FARR. This item was misclassified as minor equipment and included in the minor equipment listing; and
 - Two items totaling \$68,350 (a \$61,182 First Defender and a \$7,168 Multipurpose Analyzer) were put in service in December 2009 but not listed in the FARR.

Per the PRGA, it is the department's responsibility to file a Form 253 to maintain the accuracy of the OFAM (and to keep a copy of the form in the department).

In accordance with the County Administrative Manual Policy 0050-02-1 and the A&C Year End Manual requirements, the Property Loan or Transfer Request Form 253 must be used for:

- Inter-departmental transfers;
- Transfers to salvage for trade-in, sale, salvage, or other disposal; and
- Others (Adjustment in inventory value, lost or stolen property, clerical corrections).

Recommendation: To improve the accuracy and reliability of fixed asset reporting, DEH should:

1. Review all reports of unsighted, transferred or salvaged items, consult with the PRGA, then prepare and forward the appropriate form(s) to disposition the items in the OFAM;

2. Submit Form 253 to update locations for all valid assets that have 'Default', or other location inaccuracies, in the OFAM;
3. File the required form(s) to classify the conference table as a fixed asset;
4. Recover the operational Proxima transferred to Property Disposal in error and retire the other asset, if non-operational; and
5. Implement procedures for maintaining accurate reporting of all fixed assets changes to DEH in accordance with the County Administrative Manual Policy 0050-02-1.

Finding III:

Inaccurate Accounts Receivables (A/R) Report

The review of Accounts Receivables identified significant inaccuracies in the amounts reported.

- **Invalid Receivables.** DEH reported a total of \$2,246,316 in A/R as of the transition date. However, invalid receivables totaling \$1,867,472 were included as shown in Table 1.

Table 1. Invalid Receivables Identified During Review

| Amount | Description |
|--------------------|---|
| \$1,390,395 | Vehicle License Fee collection transferred from the Health and Human Services Agency to DEH in October 2009. |
| \$465,252 | California Underground Storage Tank Fee program amounts received from the State on or before the transition date. |
| \$11,170 | DEH inspection service fees collected from the California Department of Education prior to the transition date. |
| \$655 | Two fees that DEH received from businesses prior to transition date for services rendered. |
| \$1,867,472 | Total Invalid Amount Included in Receivables |

- **Penalties Omitted.** Out of six A/R items sampled, four invoices were identified as past due and eligible for late payment penalties totaling \$500. However, the penalties, which the DEH is required to assess and collect,¹ do not appear to be included in the A/R certificate, resulting in an understatement.

Recommendation:

To improve the accuracy, reliability, and completeness of A/R reporting, DEH should:

1. Ensure that penalties are reflected in the DEH general control ledger to aid in preventing future understatements; and

¹ Penalties should be assessed in accordance with the San Diego County Code of Regulatory Ordinances, Applications, Permits and Fees, SEC. 65.1.5.

2. In general, perform periodic and regular monitoring of the DEH's internal General Control Ledger to ensure it is maintained with current and true balances that reconcile to source documents and the Oracle A/R system.

Finding IV: Fees Not Collected In Advance

The DEH did not get a sufficient advance deposit for \$1,936 of Voluntary Assistance Program services that the DEH provided to a customer from July 2, 2009 through July 21, 2009.

The DEH did not confirm the advance deposits before extending the services thereby creating the risk that the cost of the services provided may not be recovered from the County services recipient.

The Board of Supervisors Policy, Section B-29, requires departments to provide for fees to be deposited or paid in advance. Delivery or completion of service, if applicable, is not to be made unless full payment has been deposited.

Recommendation: Implement Policy B-29 by providing services to the customer only after the required fee is collected, or obtain a waiver from the Board of Supervisors.

COMMENDATION

The Office of Audits & Advisory Services commends and sincerely appreciates the courteousness and cooperation extended by the officers and staff of the Department of Environmental Health throughout this audit.

Office of Audits & Advisory Services

Compliance **R**eliability **E**ffectiveness **A**ccountability **T**ransparency **E**fficiency

VALUE

DEPARTMENT'S RESPONSE



County of San Diego

JACK MILLER
Director

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ELIZABETH POZZEBON
Assistant Director

November 4, 2010

RECEIVED

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TO: James L. Pelletier
Chief of Audits

OFFICE OF AUDITS &
ADVISORY SERVICES

FROM: Jack Miller, Director
Department of Environmental Health

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: DEPARTMENT OF ENVIRONMENTAL HEALTH OFFICERS' TRANSITION AUDIT – REPORT NO. A10-010

Finding I: Inventory Certificate Lacks Requires Detailed

OAAS Recommendation: To improve the transparency and promote accountability in minor equipment reporting DEH should:

1. Implement procedures for maintaining a list of all minor equipment and books charged to the DEH, in accordance with the County Administrative Manual Policy 0050-02-1; and
2. Include detail listings with subsequent transition certificates for minor equipment and books, or material and supplies as required.

Action Plan: DEH agrees with Finding I and has taken the following actions to improve the information that is provided with Inventory Certificates.

1. The addition of a perpetual Minor Equipment inventory list to our written procedures inventory.
2. Created a detailed listing of DEH Minor Equipment that will be maintained and updated quarterly. This listing will accompany any future transition certificates and Year End Inventory packets.

Planned Completion Date: Action Plan has been implemented.

Contact Information: Leonard Gonzales, Administrative Analyst II

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Finding II: Inaccurate Fixed Asset Reports

OASS Recommendation: To improve the accuracy and reliability of fixed asset reporting; DEH should;

1. Review all reports of unsighted, transferred or salvaged items, consult with the PRGA, then prepare and forward the appropriate form(s) to disposition the items in the OFAM;
2. Submit Form 253 to update locations for all valid assets that have 'Default', or other location inaccuracies, in the OFAM;
3. File the required forms to classify the conference table as a fixed asset;
4. Recover the operational Proxima transferred to Property Disposal in error and retire the other asset, if non-operational; and
5. Implement procedures for maintaining accurate reporting of all fixed assets charged to DEH in accordance with the County Administrative Manual Policy 0050-020-1.

Action Plan: The department agrees with Finding II of this report. The actions taken to correct the Fixed Asset reporting issue are;

1. Performed an overall review of the Fixed Asset Registry report to find all inaccuracies; and
2. Completed Form 253 to correct all inaccurate location codes and remove all assets found "Unsighted" for at least two Triennial Inventory cycles;
3. Submitted forms to properly categorize the large conference table as a Fixed Asset;
4. Corrected the Fixed Asset Registry Report so that the operational Proxima projector is captured and the dispositioned projector is removed from the report; and
5. DEH will review the Fixed Asset Registry annually and submit accurate reporting with the Year End Inventory Packet. The department will also ensure that procedures in place for adding or removing Fixed Assets are followed.

Planned Completion Date: Action Plan has been implemented.

Contact Information: Leonard Gonzales, Administrative Analyst II

Finding III: Inaccurate Accounts Receivables (A/R) Report

OASS Recommendation: To improve the accuracy, reliability, and completeness of A/R reporting, DEH should:

1. Ensure that penalties are reflected in the DEH general control ledger to aid in preventing future understatements; and

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2. In general, perform periodic and regular monitoring of the DEH's internal General Control Ledger to ensure it is maintained with current and true balances that reconcile to source documents and the Oracle A/R system.

Action Plan: DEH agrees with Finding III and is taking the following actions

1. Include developer deposit late fees on outstanding A/R as part of the total A/R on account.
2. Date stamped all mail with payments with the "Received Date", to ensure A/R can be accurately reflected for periodic reporting.
3. Performed periodic and regular monitoring of the General Control Ledger to ensure it is maintained with current and true balances that reconcile to source documents and the Oracle A.R system.

Planned Completion Date: Item 1 will be implemented by December 31, 2010. Items 2 and 3 have been implemented.

Contact Information for Implementation: Arlene DeOcampo, Principal Accountant

Finding IV: Fees Not Collected In Advance

OAAS Recommendation: Implement Policy B-29 by providing services to the customer only after the required fee is collected, or obtain a waiver from the Board of Supervisors.

Action Plan: DEH agrees with Finding IV and has amended the Fee Ordinance, effective September 1, 2010, to reflect providing services after the required fee is collected. For existing customers, we are developing an implementation plan to correct fee collection procedures to ensure required fee is collected prior to providing services.

Planned Completion Date: Implemented for new customers subsequent to September 1, 2010. For existing customers prior to September, 1, 2010, the planned implementation date is December 31, 2010.

Contact Information for Implementation: Arlene DeOcampo, Principal Accountant

If you have any questions, please contact me at (619) 338-2070.



Jack Miller, Director
Department of Environmental Health

JM:lg

cc: Arlene DeOcampo
Leonard Gonzales